

## Planning For The Future Of ARMS

The ARMS Program operates under the direction of the Program Executive Officer for Ammunition (PEO Ammo) Picatinny Arsenal, New Jersey and is executed by the Joint Munitions Command, Rock Island, Illinois. In a recent interview with Matt Zimmerman, Associate PEO Ammo Industrial Base Office and Diane Wagner, Associate Director, PEO Ammo, Industrial Base, and News@ARMS, PEO Ammo addressed key questions regarding the direction and future of the ARMS program.

### *Would you summarize the goals and objectives of the ARMS program?*

The Armament Retooling and Manufacturing Support (ARMS) program has created a business model that gives the Army a viable government-owned, contractor-operated (GOCO) ammunition industrial base through commercialization. Through commercialization and product diversification, ARMS fulfills key program objectives – to reduce ownership costs; maintain industrial readiness; sustain a skilled work force; and sustain socio-economic community development.

The mission of the ARMS Program is to provide for commercial use of Army facilities and equipment to sustain the Army manufacturing capability. The ARMS program offsets/reduces/avoids Army costs for operating the facilities and maintains their manufacturing capability for Armed Services national security requirements. It also benefits the local communities in developing business and creating jobs. The ARMS Program Goals are: 1) Reduce product costs to the Army and taxpayer; 2) Reduce Army Ammunition Plant ownership and operating costs; 3) Encourage use of the facilities for commercial and DOD markets, 4) Create business

development centers at AAP's, and 5) Leverage the program to develop economically "smart" exit strategies from the facilities 6) Retain required workforce skills.

### *Will any of these goals or objectives be deleted or modified as the ARMS program moves into CY 05 and beyond?*

No, there are no plans to delete any of the goals or objectives, however, modifications are possible due to funding constraints with an increased emphasis on reducing AAP operating costs.

### *Would you briefly summarize the major achievements of the ARMS program?*

Cumulative validated savings and benefits validated by PricewaterhouseCoopers (1993-2003): ARMS has created 3,314 jobs from 126 different commercial companies. The result has been \$254M in savings to the Government, \$200M in private investments modernizing our facilities, and providing over \$4.4B in economic impact to local communities. ARMS generates approximately \$17.4M annually in tenant rent revenue to reduce AAP operating costs.

A major achievement also was the 2003 CoreNet Global Innovators Awards for recognizing new entrant in the corporate real estate industry, developing and applying innovative ideas and practices, and make good use of leading-edge technologies and practices.

### *Do you believe that the major benefits achieved by the ARMS Program are understood by top Government officials? (Follow-up to Question 3.)*

The majority of Government officials understand and we are working to ensure the continual benefits of ARMS is recognized at all levels.



Matt Zimmerman, Associate PEO Ammo Industrial Base Office and Diane Wagner.

ARMS allows each participating facility contractor to attract commercial or other government tenants to reuse the existing idle industrial capacity. This asset management technique allows the Army to increase the residual value of each facility through improvements to government property by both the government and the tenant. This commercial use strategy enables the Army to achieve production efficiencies through lower production costs, and facility/process consolidation. Commercial use achieves two benefits for the Army: a) overhead cost allocation against multiple contracts (Government and commercial) reduces Government production costs; and b) reduced maintenance cost through the acceptance of other than monetary consideration and credits.

### *Aside from reducing the cost of the operation and maintenance of the ARMS plants, what do you see as the largest benefit or achievement of the ARMS program?*

The ARMS program is a non-traditionally funded Army program. It is an extremely different program

and requires use of transformational thinking.

The ARMS program requires a change in the thought process and is a new paradigm under which the Army treats its property as an asset, upgrades the real estate, rejuvenates the community, improves the working environment and helps to offset the cost of plant operations and ultimately the bill to the taxpayer.

### *What is the approval structure for ARMS proposals?*

The current process is under review using a lean Six Sigma approach.

### *What are the historical ARMS incentives and which will be continued into CY 05?*

The team will need to revisit the current ways the program is funded and think of a smarter way of doing business given the limited resources. The current incentives include:

- Marketing
- Equipment Upgrades
- Building Modifications
- Business Incubators
- Strategic Plans
- Contractor Performance Incentives
- Pre-Positioned Funding



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### Environmental Baseline Funding Engineering Feasibility Studies

*What alternatives do you see for the ARMS Contractors in lieu of the ARMS incentives that are being curtailed?*

Extra emphasis will be based on private investments, creative partnerships, performance driven, and revenue arrangements.

*Do you see a benefit to ARMS as an "exit strategy?" In other words, do you see a benefit to the military to increase commercial use to offset declining military needs or requirements?*

Yes, we have experienced the benefit of several ammunition plants that utilize ARMS tenant revenue to significantly reduce operating costs:

Indiana Army AP  
Volunteer Army AP  
Kansas Army AP  
Mississippi Army AP  
Louisiana Army AP

In the cases of Indiana, Volunteer, and Louisiana, the "no maintenance cost funding level" has proven to be an effective conveyance tool to transfer

from Government ownership to state ownership.

*Do you feel that those AAP's/contractors who excel should be rewarded in contrast to those AAP's/contractors who have not been as successful in implementing ARMS?*

Yes, the entire performance incentives program is being reevaluated. More to come by the end of this year.

*What are your views about the future and longevity of the ARMS program?*

Longevity of the program is directly dependent on the performance of facilities use contractors themselves and revenues generated as a result of the seed monies provided currently and in the past. A direct correlation has been made between the performance, revenue generation, job creation, employment opportunities and positive Congressional Support.

*Does the ARMS Program still enjoy Congressional support?*

The ARMS Program is supported

by the President's Budget.

*Are there specific cost reduction areas that you would like to see targeted e. g., reduction of footprint; reduction in infrastructure cost, reduction in cost of services (security, maintenance, etc.)?*

The Army is always interested in the reduction of infrastructure costs

where it makes the most sense and maintains skills.

*Do you expect to continue the Public-Private Partnership Task Force meetings?*

We are looking for ways to continue a like forum under the existing statute.



Current ARMS incentives

## Newest LAAAP Tenant Comes In With A Bang

BST Manufacturing, Inc., is the newest tenant company located within the Louisiana Army Ammunition Plant (LAAAP). BST Manufacturing operates a 30-acre production facility with 50 employees.

The cast boosters produced by BST Manufacturing Inc. are utilized in the North American mining, construction, oil and gas markets. Each BST Manufacturing employee receives extensive, specialized training prior to their supervised handling of explosive materials used in the production processes.

Michael Potter, CEO of BST

Manufacturing, has experience in the explosive business since 1980. Mr. Potter states, "We have been searching for a suitable location for our new North American manufacturing plant for several years. We are very satisfied with our decision in choosing Minden, LA as our home. We appreciate the support of the local people, companies, and organizations have shared with us, as well as the local and state governments of Louisiana. We look forward to future growth in the area."

Ed Diamond, President of BST Manufacturing Inc., is very respected in the explosive industry. He has 24

years experience, with knowledge of manufacturing cast boosters, technical support he offers to meet the customers' needs, and sales experience. Mr. Diamond "was very pleased" to make Minden his base of operations and with the growing demand for their product, predicts a sustained growth of the company over the next several years.

The Plant Manager in charge is Dan Martinez, with over 25 years experience in all phases of the commercial explosive manufacturing industry.

The "melt and blend" method used by BST Manufacturing in the

production of their cast boosters is a simple and safe operation, which has been used for over 50 years in the manufacturing of commercial explosive and military defense munitions.



Finished cast boosters.





## Louisiana Army Ammunition Plant Transferred to the State of Louisiana

*Minden, La.* - On January 1, 2005, the ownership of the Louisiana Army Ammunition Plant (LAAAP) was officially transferred to the state of Louisiana from the federal government. The transfer comes just one year after Governor Kathleen Blanco personally made the request to President George W. Bush.

The LAAAP was constructed in 1941-42 by the Silas Mason Company after government acquisition of the land to load/assemble/pack (LAP) various munitions for the U.S. Army. The installation currently comprises roughly 15,000 acres and is home to training facilities for the military, the Louisiana Army National Guard's Youth Challenge program and more than 22 businesses. The transfer of ownership will allow for expanded military training facilities and further economic development.

About 13,500 acres will be dedicated to the expansion and growth of training for National Guard Reserve and the active component soldiers which will solidly establish Camp Minden as a leading training site for soldiers nationwide.

"We are interested in developing Camp Minden as the premier training center for Heavy Equipment Transports (HET)," said Lt. Col. Pete Schneider. "The site currently has a state-of-the-art laser training facility for tanks. Camp Minden would be available for all National Guard and Reserve soldiers as well as all branches of the military."

Joseph Whitaker, Deputy Secretary of the Army for installations and housing, who signed the facility over to Louisiana, said he realizes the possible impact for the state and the Louisiana National Guard. "The transfer of the nearly 15,000 acre Louisiana Army Ammunition Plant from the Army to the state is a win-win for the Army, the Louisiana Army National Guard and local communities," said Whitaker. "The

Army benefits from continued access to property for training purposes, while the state can put valuable industrial/commercial property into productive economic reuse."

An estimated 1,500 acres has been earmarked to attract businesses and industry.



**MODUL continuous press board outfeed.**

"This transfer is more than just training soldiers," said Governor Kathleen Blanco. "It's about economic development and jobs. We will build on the facility's current successes and we will be about finding tenants for this place."

The LAAAP facility has been a shining example of the continued success of the ARMS program. The most recent PricewaterhouseCoopers review of the program (2003) reveals just how successful the LAAAP was in fostering economic development. In 2003, the LAAAP generated \$55.5 million in economic impact while creating/sustaining 493 jobs. Since 1997, over 1 million square feet of the facility has been leased to over

22 public and private tenants. These numbers were just part of the reason why the state of Louisiana wanted to pursue ownership of the facility.

"The transfer from federal to state ownership was a good deal for both Louisiana and the Army," said David Tolbert, formerly the ACO Commander's Representative

and will remain a tenant. Other key tenants include: Bellsouth, Webster Parish Law Enforcement-Bayou Dorcheat Correctional Facility, GOEX, Inc. - a black powder manufacturer, East Camden and Highland Railroad, and Explo Systems- munitions and explosive reclamation. Two of the newest tenants are GreenTech Panels and BST Manufacturing, Inc.

GreenTech Panels opened for business in June 2004. GreenTech's mill is located on 10 acres of leased space on a part of the LAAAP which has been designated as an Eco-Industrial Park.

The mill utilizes post-consumer waste wood such as pallets, crates and construction materials to produce 64 million square feet of quarter-inch fire retardant panels annually. The plant currently employs about 35 skilled workers, with an additional 35 indirect jobs generated for area waste wood suppliers, including the General Motors plant in Shreveport, La.

BST Manufacturing, Inc., is the newest tenant company located within the LAAAP. BST is a commercial explosives manufacturer. BST's 30-acre production facility reached full capacity this past January 2005. BST currently employs approximately 50 employees.

Louisiana's Secretary of Economic Development - Mike Olivier, will now be charged with continuing the momentum that the ARMS program has generated for the LAAAP. State and local officials are collaborating on a long term strategy.

"Capacity is the big thing, and Camp Minden has it," said Olivier. "The LAAAP is like a big industrial park, and we want to master plan that."

The transfer means that the LAAAP facility will no longer be a part of the ARMS program; however the state will honor all prior lease agreements. Valentec Systems, Inc. was the former facility use contractor



# Lake City Ladies Seek To Reverse The Trend



"Combine two go-getters, add some direction, set their sights on a mission. What do you get?" That is the question recently asked in a news release issued by Mark Manley, Manager/Manufacturing Technology with the Small Business Development Center (SBDC) at Central Missouri State University (CMSU), in Warrensburg, Missouri.

Stealth Garments, LLC is the entrepreneurial offspring of Dee Ruggles and Kathy Jennings of Lee's Summit, MO, a neighboring community to the Lake City Army Ammunition Plant. Ruggles and Jennings are two high-energy women with special talents and the urge to form a business to capitalize on those talents. Ruggles with a background in Project Management and Human Resources tackles the business and administrative side of this start-up effort. Jennings' skills with sewing and product design make it logical to focus her attention on production and product line development.

The idea for this specialty manufacturing business all started with a vest. Not just any vest, this one Jennings' husband, a police officer, specifically requested. He needed pockets of various sizes to conceal his law enforcement gear, while maintaining a professional appearance during frequent court dates. Thus a product line and a business concept were born. The original police vest morphed into other applications including vest for nurses, teachers, and sports fans. Stealth Garments creative pair have

gone on to develop a variety of product lines, such as luminescent safety attire, special adapted scrubs for hospital personnel, a Navy Seals' packet designed to contain a small caliber. Given the National trend for manufacturing jobs to relocate outside the borders of the U.S.A., Ruggles and Jennings knew they were bucking the trend by thinking they could successfully design, manufacture, and distribute their products from a U.S. base of operations. Using U.S. workers. So long before launching their business venture, they sought a reliable source of business start-up and business development advice through the SBDC.

The SBDC counselors helped the Stealth Garment dynamic duo on key issues like patents, trademarks, production, and testing, business plans, and financing, inventory control, and marketing strategies. The next step would be to put all this newfound knowledge into action in the real business world.

During a nationally recognized government procurement conference originated by Missouri Congressman Ike Skelton, senior member of the U.S. House of Representatives Armed Services Committee, hosted by the Small Business Development Center at CMSU, our start-up wannabes were introduced to the ARMS Program. Jack Figg, Director, Business Development and Community Affairs for Alliant Techsystems, ATK Lake City Ammunition business was on site that day in search of business prospects with an interest in bringing their Manufacturing Business to the Lake City Business Center in Independence, Missouri. The Lake City Business Center redevelops under utilized government owned facilities at the Lake City Army Ammunition Plant with the help

of the ARMS Program. With the tools available through the ARMS Program, relocating, and growing the original home based business from the familiar confines of the garage at Jennings' Lee's Summit home made a great deal of sense.

The initial lease of approximately 5000 square feet was quick to fill up, as expansion into more than 30,000 square feet of manufacturing and office space is now being negotiated.

The impetus for this voluminous growth is not only increased demand for the current Stealth Garment Law Enforcement and Public Safety product line but also their recently successful 1<sup>st</sup> Article qualifying them to produce a bandoleer product line at DOD specification.

According to Stealth Garment LLC owners, Dee Ruggles and Kathy Jennings, locating their manufacturing business at the Lake City Business Center makes a great deal of business sense. Sight upgrades made available to ARMS Tenants will help offset some of the facility tenant finish expense. "Our operating costs should prove to be far less expensive here than other commercial sights because of our reduced cost of basic utilities and services, (water, sewer, steam, electricity, and security)", said Dee Ruggles. According to Kathy Jennings, "The ARMS Loan

Guarantee Program is of great interest to us as we purchase commercial grade sewing machinery, product assembly, and packaging equipment to meet our customer needs".

"Stealth products currently benefit the Law Enforcement and Public Safety community. Their recent entry into defense industry products and the longer range goal of serving the recreation and sporting goods customer with their products give us hope that Stealth can become a real start-up business success at Lake City", said Jack Figg who manages the ARMS Commercial Leasing Program for ATK in the Kansas City area.

According to Dee Ruggles, "This is one manufacturing business that can succeed on U.S. soil". The ARMS Program should allow us to increase our current work force to more than 30 new jobs that do not currently exist at Lake City. Some 40-60 jobs are possible at the completion of Phase II.

Off shore may be the trend for some, but Stealth seeks to reverse that trend by growing their **all american business with all american workers** at the **all american choice** Lake City business center.



In November, 2004 Stealth pursued a subcontractor facility use agreement at the Lake City Business Center.